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Comprehensive Study of the Law of Passing-off in India

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ABSTRACT

Rising incidents of violation of trademarks and tort of passing-off are an increasing concern not only in India but across the world. These incidents infringe the rights of business owners and contribute to unfair commercial practices. The purpose of this study is to analyze the laws present in India to deal with the cases of passing-off and to comprehensively study the tort of passing-off. The research tells the reader about the tort of passing-off along with its essentials. The law of passing-off is necessary to provide relief to the business owners having unregistered trademarks and prevent the purchasers from being deceived in the market. The elements of passing-off like goodwill, misrepresentation, and damage, which are required to establish the tort of passing-off, are explained along with the case which propounded the elements. Moreover, some Indian cases are also mentioned and explained to study the law presently in India efficiently. Further, the difference between infringement of trademark and passing-off has been drawn to distinguish between them. According to the laws present in India, to file the suit against the defendant under the violation of trademark, the plaintiff's mark must be registered whereas the registration of a mark is not necessary to initiate the case of passing-off. The study also speaks about the remedies that are available to aggrieved people in India. The study has successfully managed to analyze the tort of passing off and the laws present in India which deal with such matters.

Keywords: *Passing off, trademark, infringement, business.*

I. INTRODUCTION

Owners of various businesses, brands, etc. have been continuously using different tactics since time immemorial to increase their sales and earn profits. From hiring different models to advertisement companies, having separate teams which deal with the promotion of the brand, etc, companies have made a lot of efforts to turn the market in their favor. There are many Multi-National Corporations like Coca-Cola, PepsiCo, etc, and high-end brands like Dior, Adidas, Nike, etc. which are already enjoying a respectable position in the markets around the

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world. People don't hesitate to buy their products and avail their services because they have a great name and fame around the world. Also, these companies have gained the trust of consumers around the world by being constantly focusing on the quality and authenticity of the services being provided and working to improve them further. Moreover, these brands try to maintain a connection between consumers and themselves.

As these high-end brands prosper, there are many vendors or companies which try to sell their products in the façade of the name of various high-end brands. Vendors try to make the replica of products of multinational companies and copy their brand name so that people can buy their products in the name of the brand which is being portrayed and without recognizing that the products are the replica of the original products. This largely affects the market, revenue, and reputation of the corporation whose products are being copied and sold in the brand name of the corporation. To overcome this situation, companies register their trademark and get a remedy under the law when the trademark is infringed by anyone. There are various laws around the world to prevent such instances and compensate the company being affected. But what about the companies or vendors who have not registered their trademark? Do they get remedy under any law? So, the answer is yes. There is another tort known as the tort of passing off which covers such a situation and people get a remedy under the “*law of passing off*”².

II. WHAT IS PASSING OFF?

“*Passing off is a tort under civil law*”³ that refers to an act of a person where he/she intentionally misrepresents his/her goods as that of goods of another person. “*The law of passing off prevents the person from misrepresenting his/her goods and gain profit while the loss is incurred by another person*”⁴. The law of passing off covers rights associated with an unregistered trademark while the rights associated with the registered trademark are being covered under trademark infringement. The law of passing off ensures that nobody's business reputation gets deteriorated or exploited. The main idea behind this law is that “no man can enjoy rights to portray his goods as that of the goods of another person”.

This tort is a common law tort and is practiced in the countries where the common law is being practiced like India, UK, etc. There are two arguments regarding the intention of the defendant while committing this tort i.e.

² Volume 1, K.C. Kailasam & M.A. Panchamia, Venkateswaran on Trademarks & Passing off, 54 (7th ed, LexisNexis,2018)

³ Prof. Cristopher Wadlow, The Law of Passing-Off: Unfair Competition By Misrepresentation, 19 (3rd ed, Sweet & Maxwell, 2011)

⁴ Ibid.

- Defendant wants to foster puzzlement in the psyche of the purchasers between the plaintiff's and defendant's business activities.
- Defendant wants to mislead people by “*misrepresenting his/ her goods as that of the goods of the plaintiff's*”⁵ so that people think that defendant's goods are the plaintiff's and earn profit.

With the above paragraph, we can draw the essentials of “*the tort of passing off*”⁶-

- a) The defendant must sell commodities.
- b) Intentional misrepresentation of the goods being sold by the defendant.
- c) The plaintiff must possess an unregistered trademark.
- d) Purchaser must be in the belief that the products being sold by the defendant are plaintiff's goods.
- e) Actual damage should be suffered by the plaintiff.

(A) Reverse passing off

Reverse passing off refers to an act of the defendant where he/she removes the original trademark on a product, without having any permission and sells the product either with the different trademark or unbranded to the purchaser. For example, Aman sells matchsticks with a brand name “BURNT” sticker. Bauman purchases a box of BURNT matchsticks and removes the brand name “BURNT” and sells them in the market under his trademark. Here, Bauman can be made liable for “*the tort of reverse passing off*”⁷.

III. ELEMENTS OF PASSING-OFF

The wrong of passing off has three basic “*elements – goodwill, misrepresentation, and damage*”.⁸ These three elements were “*established in the case of Reckitt & Colman Ltd. v Borden Inc. [1990], also known as the Jif Lemon case. This is one of the landmark decisions of the House of Lords on the tort of passing off*”⁹.

To know the source and existence of the above elements of passing-off, let's understand the case of “*Reckitt & Colman Ltd. v Borden Inc.*”¹⁰

⁵ Prof. Cristopher Wadlow, *The Law of Passing-Off: Unfair Competition By Misrepresentation*, 19 (3rd ed, Sweet & Maxwell, 2011)

⁶ Volume 1, K.C. Kailasam & M.A. Panchamia, Venkateswaran on Trademarks & Passing off, 54 (7th ed, LexisNexis,2018)

⁷ Volume 1, K.C. Kailasam & M.A. Panchamia, Venkateswaran on Trademarks & Passing off, 54 (7th ed, LexisNexis,2018)

⁸ *Reckitt & Colman Ltd. v Borden Inc.* [1990] 1 ALL E.R. 873

⁹ *Reckitt & Colman Ltd. v Borden Inc.* [1990] 1 ALL E.R. 873

¹⁰ *Reckitt & Colman Ltd. v Borden Inc.* [1990] 1 ALL E.R. 873

(A) Brief Facts

Reckitt and Colman Limited was the appealing party and a lemonade manufacturer in the United Kingdom and to attract a large number of purchasers, they used to sell the lemonade in a yellow container that looked exactly like the real lemon and had a cap. The lemonade was popularly identified as “Jif Lemon juice” because, by the place of the cap, there was a label attached which mentioned "Jif" and some details printed in yellow on the label. The plaintiff was selling this juice in the lemon-like container for 40 years in the UK but did not register any mark as a trademark. “*Due to a period of 40 years, it had a monopoly over selling lemon juice in such types of containers*”¹¹. Borden Inc. was a responding party in the matter that kicked off merchandizing lemonade in the United Kingdom with the name "ReaLemon" in the same-looking container as that of Reckitt & Colman Ltd.¹² The packaging has only a bit of variation in the label, cap, and size of the container, and three different versions of the similar-looking lemon container were launched by Borden Inc.

The appealing party argued that the lemonade of the responding party creates puzzlement in the psyche of purchasers while purchasing the lemon juice in the market and they end up buying the defendant’s product thinking that the juice is the plaintiff’s product. Later, the appealing party filed a lawsuit for “*passing-off seeking to restrain the defendant from selling the product.*”¹³

(B) Judgment

“*The House of Lords found that Borden Inc. was liable for the tort of passing off and imposed a permanent injunction on Borden Inc. from selling lemonade in such lemon-shaped containers in the United Kingdom*”¹⁴.

(C) Rationale

To know whether the tort of passing-off has been committed or not, the House of Lords applied three tests over the issue i.e. the test of Goodwill, Misrepresentation, and Damage.

- a) Test of Goodwill/Reputation – Court held that Reckitt & Colman Ltd. was doing its business for 40 years and was the only entity that was merchandizing lemonade in such containers in the United Kingdom. The respondent had built its reputation in the market over the years and people used to recognize the plaintiff’s product by such lemon-shaped

¹¹ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹² Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹³ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹⁴ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

containers. Therefore, “*the House of Lords was in perception that the defendant's product affects the reputation of the plaintiff's product.*”¹⁵

- b) Test of Misrepresentation – The House of Lords held that the defendant's act amounts to misrepresentation because its product creates puzzlement in the psyche of the purchasers because of the identical packaging of the lemonade of both parties. The bench stated that even if there are some changes in the packaging like the label and small changes in the color of the cap, innocent consumers get misled by the appearance of the container and do not pay attention or remember the label or color of the cap.¹⁶
- c) Test of Damage – Defendant argued that gradually people will come to know that plaintiff is not the only player in the market which “*sells lemonade in a lemon-shaped container*”¹⁷ and then buy accordingly after distinguishing between the products of the plaintiff and defendant. The House of Lords held that there will be a large number of people who will be misled initially and would end up buying “*ReaLemon*” in place of “*Jif Lemon Juice*”. So, the sales of the responding party's lemonade will trigger damage to the appealing party.

Since all three tests indicate that defendant was passing off the product of the plaintiff, the House of Lords imposed the injunction on the defendant from selling its product in the UK. It formulated three elements of passing off that should be fulfilled while establishing the tort of passing off.

- Goodwill – Plaintiff must prove that its product has a reputation in the market and public associates its product/services with a well-known trademark.
- Misrepresentation – Plaintiff must show that defendant has deceived and created puzzlement in the psyche of purchasers to misrepresent its good as that of plaintiff's.
- Damage – Plaintiff must authenticate that the defendant's act of misrepresentation has damaged “*the reputation of the plaintiff and its product in the market.*”¹⁸ Also, the act has caused financial loss to the plaintiff.

IV. “LAW OF PASSING-OFF”¹⁹ IN INDIA

The law of passing off is necessary as it provides a remedy for unregistered trademarks. In India, a remedy for unregistered trademarks is provided under “*the Trademarks Act, 1999*”²⁰.

¹⁵ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹⁶ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹⁷ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹⁸ Reckitt & Colman Ltd. v Borden Inc. [1990] 1 ALL E.R. 873

¹⁹ Volume 1, K.C. Kailasam & M.A. Panchamia, Venkateswaran on Trademarks & Passing off, 54 (7th ed, LexisNexis,2018)

²⁰ Trademarks Act, 1999, No. 47, Acts of Parliament, 1999 (India)

In the mentioned Act, Section 27(2), 134(1), and 135 deal exclusively with passing off.

According to section 27(2), the object of the remedy is to safeguard the goodwill and reputation of a business from unfair commercial practices. The prior use of the trademark can file a suit against any subsequent user of the trademark for passing off, “*even if the subsequent user has registered the trademark under the Trademarks Act, 1999*”²¹. “According to this section, priority is given to the adoption and use of a trademark over the registration of a trademark.”²²

According to section 134(1)(c), if the defendant is using a “*trademark that is deceptively similar to the plaintiff's trademark and passing off action*”²³ arises, then the appellant can file a lawsuit against the defendant in district court which has jurisdiction over the matter. The burden of proof is on the plaintiff. It is a civil remedy that is being provided under the Act mentioned above.

Section 135 of the Act, provides remedies such as injunction, damage, and delivery up or destruction, given by the court.

V. CASE LAWS

Some leading Indian cases of passing off –

(A) “Honda Motors Co. Ltd. v. Mr. Charanjit Singh and Ors (2003)”²⁴

1. Brief Facts

Honda Motors is a plaintiff and “*is a well-established company over the world in the field of electronic appliances, cars, and motorcycles.*”²⁵ Here, the defendant company was manufacturing pressure cooker and used the name "HONDA" as a trademark. They have also applied for the registration of this trade name but the registrar rejected it. Then, the plaintiff filed suit against the defendant claiming that their action is equivalent to passing off.

The appealing party contended that his company has acquired a reputation around the world by the name of Honda. The usage of the mark by the responding party is fostering puzzlement in the psyche of the purchasers due to which “*harm is caused to the reputation, business, and goodwill of the plaintiff.*”²⁶

2. Judgment

²¹ The Trademarks Act, 1999, § 27, No. 47, Acts of Parliament, 1999 (India)

²² Consolidated Foods Corporation v. Brandon and Co., Private Ltd., AIR 1965 (Bombay) 35

²³ The Trademarks Act, 1999, § 134, No. 47, Acts of Parliament, 1999 (India)

²⁴ Honda Motors Co. Ltd. v. Mr. Charanjit Singh and Ors, 2003 (26) PTC1 (DEL)

²⁵ Perna Chopra, Passing off under Trademark, Legal Service India.com, <http://www.legalservicesindia.com/article/1254/Passing-off-under-trademark.html>

²⁶ Ibid

The bench applied the test of Goodwill in this matter and held that the act of the defendant “caused damage to the reputation of the plaintiff as the defendant's trademark “HONDA” for a pressure cooker is deceptively similar to that of the plaintiff’s”²⁷. Also, it creates puzzlement in the psyche of the purchasers. Hence, the court restricted the usage of the trademark “HONDA” by the responding party.

(B) “Smithkline Beecham v. V.R. Bumtaria (2005)”²⁸

1. Brief facts

“SmithKline Beecham claimed that the defendant's (V.R. Bumtaria) act amounts to trademark infringement, passing-off, etc. of its registered trademark ARIFLO, which is being used for pharmaceutical purposes”²⁹. The responding party was using the trade name ACIFLO in India, which was similar to that of the Appealing party.

But, appealing parties were not doing any type of business in India and contended that even if they are not doing business in India; many advertisements get published in the medical journal regarding their business due to which they have a trans-border reputation. The defendant's trademark creates confusion in the psyche of the purchasers and adversely affects the reputation of the appealing party.

2. Judgment

The bench gave its decision in the favor of the defendant and held that mere publication of advertisements does not create a “trans-border reputation. Such reputation if any is confined to a particular class of people, i.e., the person subscribing to the said specialized journals, and the same can't be said to be extended to the general consumers.”³⁰ Hence, any ill effect inflicted on the corporation in such a situation can't be equivalent to passing-off. In this case, a compromise was made between the plaintiff and the defendant, and the plaintiff was granted permission to use the trade name ACIFLO in India.

VI. THE DISPARITY BETWEEN A VIOLATION OF TRADEMARK AND PASSING OFF

“The difference between passing off and infringement of trademark has been laid by Delhi High Court in the leading case of *Cadbury India Ltd. and Ors. v. Neeraj Food Products (2007)*”³¹.

²⁷ Honda Motors Co. Ltd. v. Mr. Charanjit Singh and Ors, 2003 (26) PTC1 (DEL)

²⁸ Smithkline Beecham v. V.R. Bumtaria, MANU/DE/2890/2005

²⁹ Prerna Chopra, Passing off under Trademark, Legal Service India.com, <http://www.legalservicesindia.com/article/1254/Passing-off-under-trademark.html>

³⁰ Ibid

³¹ Cadbury India Limited and Ors v. Neeraj Food Products, 2007 (35) PTC 95 DEL

(A) Remedy

In passing off remedy will be provided by common law and section 29(2) mentions that even if the trademark is not registered, the remedy will be provided. Whereas, a statutory remedy is provided in trademark infringement under “*section 29 of the Trademarks Act, 1999*”³².

(B) Record

Registration of a trademark is not mandatory for passing off action, unlike trademark infringement. It is compulsory to have a certified trademark for filing a lawsuit for trademark violation.

(C) Jurisdiction

For the action of passing off, jurisdiction is mentioned under “*section 20 of the Civil Procedure Code, 1908*”³³ whereas jurisdiction is mentioned under “*section 134 of the Trademarks Act, 1999*.”³⁴ It is the appealing party’s place of work or where the violation took place in case of trademark infringement.

(D) Onus

The Onus of proof is on the plaintiff. The plaintiff must prove that defendant's act has created puzzlement in the psyche of the purchasers and deceived them and the trademark is similar for passing off. But, for the violation of the trademark, the appealing party only has to prove that the mark is identical.

1. Trademark registration is essential for infringement whereas goodwill, damage, and misrepresentation are essential elements for passing off.
2. The criminal remedy is easier for infringement than passing off.

VII. REMEDIES FOR PASSING OFF

If the plaintiff files a suit against the defendant for passing off and the ruling of the honorable court is in the favor of the plaintiff, then several “*remedies are available under section 135 of the Trademarks Act, 1999*”³⁵. Such remedies are as follows –

- Injunction – the court may impose an injunction and direct the responding party to stop using the plaintiff’s trademark and offering such services or products.

³² The Trademarks Act, 1999, § 29, No. 47, Acts of Parliament, 1999 (India)

³³ The Code of Civil Procedure, 1908, § 20, No. 5, Acts of Parliament, 1908 (India)

³⁴ The Trademarks Act, 1999, § 134, No. 47, Acts of Parliament, 1999 (India)

³⁵ The Trademarks Act, 1999, § 135, No. 47, Acts of Parliament, 1999 (India)

- Damages – the court may grant damages or accounts of profit at the option of the plaintiff due to loss suffered.
- Delivery-up or Destruction – At the discretion of the court, the court may command the responding party to deliver the labels or marks to the plaintiff or to destroy them completely to prevent the defendant from using them again.

VIII. CONCLUSION

The economy of any country depends largely on the lifestyle of its citizens i.e. the purchasing power of the purchasers and its flourishing business owners/corporations. The economy of the country is directly proportional to the purchasing power of its citizen. Thus, a country must provide its citizen a friendly and fraud-free environment and safeguard the rights of corporations. This encourages purchasers to purchase more and most importantly, without any hesitation or fear. Governments pass various laws to safeguard the rights of business owners along with the buyer from fraud and misrepresentation.

The wrong of passing off and violation of trademarks has now become very common. India also has laws to prevent violators from deceiving buyers and gaining profit which is not theirs. Passing off covers more cases than violation of trademark as registration of a mark is not obligatory in case of passing off. The laws have tried to incorporate everything possible to provide the remedy to the aggrieved business owners. But, it becomes difficult for the appealing party to prove the standing or prominence of the product in front of judicature in case of an unregistered trademark. To avoid this situation, trademarks must be registered.

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- Venkateswaran on Trademarks & Passing off by K.C. Kailasam & M.A. Panchami
- The Law of Passing-Off: Unfair Competition By Misrepresentation by Prof. Cristopher Wadlow

(B) Cases

- Reckitt & Colman Ltd. v Borden Inc. [1990]
- Consolidated Foods Corporation v. Brandon and Co., Private Ltd. (1965)
- Honda Motors Co. Ltd. v. Mr. Charanjit Singh and Ors. (2003)
- Smithkline Beecham v. V.R. Bumtaria (2005)
- Cadbury India Limited and Ors. v. Neeraj Food Products (2007)

(C) Statutes

- The Trademarks Act, 1999, Act No. 47, Acts of Parliament, India
- The Code of Civil Procedure, 1908, Act No. 5, Acts of Parliament, India

(D) E-Source

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